

ANDREW J. BROWN ACADEMY

2011-2012 Performance Analysis

Core Question 2: Is the organization effective and well-run?

2.1. Is the school in sound fiscal health?	
STANDARD	The school presents significant concerns in no more than <u>one</u> of the following areas: a) its state financial audits (e.g., presence of “significant findings”); b) its financial staffing and systems; c) its success in achieving a balanced budget over the past three years; d) the adequacy of its projections of revenues and expenses for the next three years; e) its fulfillment of financial reporting requirements under Sections 10 and 17 of the charter agreement. In addition, if the school presents significant concerns in one area, it has a credible plan for addressing the concern that has been approved by the Mayor’s Office.

2011-12 Performance: Meets Standard

A) The School’s Financial Audits (e.g. presence of “significant findings”)

Andrew J. Brown Academy’s audit contained no material weaknesses or significant deficiencies. The school’s auditors, Deloitte, stated, “In our opinion, the financial statements...present fairly, in all material respects...” As a result, our office has no significant concerns in this area at this time.

Though there were no material weaknesses or significant deficiencies, Deloitte did point out a finding for both 2011 and 2012. The auditors state, “The Academy did not appropriately reconcile the amounts used in the Form 9 submission to the books and records from which the audited financial statements were prepared. Therefore, the Form 9 submissions used by the State of Indiana for the Maintenance of the Effort (MOE) calculation for 2012 were not reliable”.

The auditors go on to state that this concern should be remedied by preparing a reconciliation that will allow them to convert their accrual based financial information to a cash basis.

The audit also reviewed the two previous financial statement findings from the FY ’10 audit that have since been remedied. These included the following concerns regarding internal controls over financial transactions and report. The findings, each component included in those findings, and the corrective actions taken are discussed below. More information regarding the findings and corrective actions can be found in the school’s FY ’09 and ’10 audit and Corrective Action Plan (available on our website).

Finding 2010-1: Concerns over internal controls over financial transactions and reporting/financial report modifications related to the following:

1. **Oversight of Management Contract:** National Heritage Academies has a contract in place through which it provides services and supports. The auditors indicated, "There was not an invoice provided by NHA to AJ Brown to document amount paid for services rendered." In the 2011-12 audit, the auditors found that this had been remediated. Steps taken included the Board of Directors more detailed quarterly review of the school's income statements, invoices, and bank statements.
2. **Financial Reporting Concerns for Andrew J. Brown Academy:** The auditors expressed concern regarding the preparation of the Form 9. Among other things, they explained that the beginning balance in the report did not match the ending balance from previous audits. This was addressed in the findings in the 2011-12 audit.
3. **General Ledger Concerns for Andrew J. Brown Academy (As maintained by National Heritage Academies):** The auditors explained in the 2009 -10 audit, "We found that the general ledger information was not auditable, due to the lack of detail for individual transaction postings. The general ledger was not maintained by fund and contained numerous cash and accrual transactions commingled to the point that that we could not determine that the cash receipts and disbursements presented in the financial statements were an accurate reflection of the cash activity of the School Corporation". This has since been remediated.
4. **Cash Receipt Concerns for Andrew J. Brown Academy:** The 2009-10 audit expressed concern regarding how receipts had been handled. The auditors wrote, "Due to the manner in which the general ledger was maintained and receipts were not issued at the time of collection, we were unable to verify that all cash receipts posted to the general ledger were accurately reported in the financial statements". This finding has been remediated. One of the changes made included NHA making the deposits of all cash receipts into the school's account. This has since been remediated.
5. **Disclaimer of Opinion Over Receipts and Disbursements:** The auditors issued a disclaimer of opinion over receipts in the 2009-10 audit as a result of the concerns expressed in item number 4 above. This finding has been remediated as a result of the changes made to the school's cash receipt process. This has since been remediated.
6. **Federal Awards Concerns:** The 2009-10 audit indicated, "... separate cash balances were not maintained for each federal program as NHA did not use fund accounting. "This finding has been remediated.
7. **Disclaimer of Opinion Over the Compliance of the Major Programs:** The auditors issued a disclaimer of opinion over the compliance of the major programs for 2009-10 based on the concerns regarding federal awards noted above. This finding has been remediated.

Finding 2010-2: Lack of Grantee Oversight of Federal Awards/Modification of Opinion over Compliance related to the following:

1. **Federal Award Concerns:** The 2009-10 audit indicated, "... separate cash balances were not maintained for each federal program as NHA did not use fund accounting." This finding has been remediated.

2. **Disclaimer of Opinion Over the Compliance of the Major Programs:** The auditors issued a disclaimer of opinion over the compliance of the major programs for 2009-10 based on the concerns regarding federal awards noted above. This finding has been remediated.

B) The School's Financial Staffing and Systems

The school has established adequate staffing and systems for managing its finances. Rebecca Joyner, Business Analyst Manager at National Heritage Academies works with the school leader at Andrew J. Brown Academy, Thelma Wyatt to manage the school's finances.

C) The School's Success in Achieving a Balanced Budget Over the Past Three Years

This indicator evaluates the school's ability to maintain a balanced budget for each of the last three years. This is measured by the school's ability to generate a positive or break even change in net assets. The school's change in net assets and the ending balances for the last 3 years can be found below.

Years	Change in Net Assets	Ending Balance
FY '12	\$2,907	\$123,849
FY '11	-\$10,038	\$120,942
FY '10	\$1,444	\$130,980

As the table above illustrates, the school had a positive change in assets and ending balance for FY '12 and FY '10. It did not, however, have a positive change in net assets for FY '11. While it is certainly favorable that the school was able to maintain a positive ending balance for all three years and that the agreement between the school and its EMO indicates that the EMO will cover all losses, the negative change in net assets for FY '11 is of concern to our office. We will continue to collaborate with the school and with National Heritage Academies to ensure the school is on track financially.

D) The Adequacy of the School's Projections of Revenues for the Next Three Years

Andrew J. Brown Academy has projected that it will break even for FY '13, '14, and '15. The table below outlines the expected revenues and expenses for the next 3 years.

Year	Anticipated Revenue	Anticipated Expenses
FY '13	\$ 5,812,139.96	\$ 5,812,139.96
FY '14	\$ 5,716,449.49	\$ 5,716,449.49
FY '15	\$ 5,712,288.65	\$ 5,712,288.65

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The current projections indicate that the school expects basic tuition support to remain flat while anticipating a decrease in grant income. It also anticipates a modest increase in revenue from Special Education with anticipated Special Education expenses slightly outpacing the increase in revenue. While our office has no concerns at this time, we will continue to work with the school to ensure that its officials are adhering to the budget.

E) The School's Fulfillment of Financial Reporting Requirements under Sections 10 and 17 of the Charter Agreement

The school has fulfilled financial reporting requirements under Sections 10 and 17 of the charter agreement.

2.2. Are the school's student enrollment, attendance, and retention rates strong?	
STANDARD	The school is consistently fully enrolled. Student attendance and retention rates are generally at or above the school's agreed-upon target rates.

2011-12 Performance: Approaching Standard

Andrew J. Brown Academy (AJB) did not meet enrollment targets set for 2011-12. The following chart displays the school's target enrollment compared with its official fall enrollment, as reported by the IDOE.

Year	Target Enrollment	Fall Enrollment	Percent Below
2011-12	704	664	5.7%

***Source:** Official fall enrollment figures from the IDOE. Target enrollment is the maximum capacity from the school's charter agreement with the Mayor's Office, submitted by the school.*

The 2011-12 attendance rate at AJB was above the averages of both the county and the state.

	AJB	MC	IN
2011-12 Attendance rate	96.14%	96.06%	96.1%

No targets have been established for student retention rates for Andrew J. Brown Academy.

Based on the 2011-12 performance, AJB is approaching the Mayor's Office standard for this indicator because they were not fully enrolled and had an attendance rate above that of both the state and county.

2.3. Is the school's Board active and competent in its oversight?	
STANDARD	The Board's membership collectively contributes a broad skill set and fair representation of the community; Board members are knowledgeable about the school; roles and responsibilities of the Board are clearly delineated; Board meetings reflect thoughtful discussion and progress in the consideration of issues; overall, the Board provides consistent and competent stewardship of the school.

2011-12 Performance: Meets Standard

The board of directors at Andrew J. Brown Academy is active, experienced, and provides competent oversight of the school. Additionally, the board is comprised of members with a diverse range of professional expertise and extensive knowledge about the school, its policies and its issues of concern. Membership of the board has remained relatively stable over time.

The Mayor's Office regularly attends board meetings and examines minutes of meetings held by the board. At meetings, the board consistently makes quorum and actively engages in the oversight of many aspects of school operations, including academic achievement, curriculum, professional development, programming, and extra-curricular activities. Therefore, the school for 2011-12 meets the Mayor's Office standard for this indicator.

2.4. Is there a high level of parent satisfaction with the school?	
STANDARD	More than 80% but less than 90% of parents surveyed indicate that they are satisfied overall with the school.

2011-12 Performance: Meets Standard

In the spring of each year, researchers administer anonymous surveys to parents of students enrolled at Mayor-sponsored charter schools. In 2011-12, 89% of Andrew J. Brown Academy parents reported overall satisfaction with the school. According to the data, the school meets the Mayor's Office standard for performance for this indicator for the 2011-12 academic year.

2.5. Is the school administration strong in its academic and organizational leadership?	
STANDARD	The school's leadership a) has sufficient academic and/or business expertise; b) has been sufficiently stable over time; c) has clearly defined roles and responsibilities among leaders and between leaders and the Board; d) actively engages in a process of continuous improvement which has led to some mid-course corrections.

2011-12 Performance: Meets Standard

The administration at Andrew J. Brown Academy is sufficient in its academic and business expertise. The principal, who has led the school throughout its duration, is a leader who directs a process of continuous improvement in the school. The principal continues to work closely with the Board and NHA to implement policies and programs and to ensure the effective and efficient day-to-day operations of the school.

The school has implemented a lateral leadership structure, with an assistant principal assigned to oversee grades 5-8. The school has also developed a school-wide leadership team comprised of one teacher per grade level, the principal, assistant principal, instructional coach, and parent liaison. The leadership team was created to serve two functions; 1) to allow teachers to develop leadership experience and 2) to provide a forum for teachers and administrators to discuss school-wide issues and develop plans and goals. The teachers selected to serve on the leadership team act as liaisons between the administration and fellow teaching staff. While the school has developed a thoughtful school leadership team that is taking a more active role, the school's long-term plan for leadership succession is unclear and a thoughtful plan to address leadership sustainability needs to be put into place. As evidenced in school leader reports at board meetings, Andrew J. Brown's leadership is actively engaged in a process of continuous improvement, commonly utilizing enrollment, testing, and discipline data to guide mid-course corrections. Therefore, in 2011-12, leadership at the school was well-organized, effective, and meets the Mayor's Office standard for this indicator.

2.6. Is the school meeting its school-specific organizational and management performance goals?	
Meets standard	School has clearly met its school-specific organizational goal.

Not Evaluated. Andrew J. Brown Academy did not have school-specific organizational and management performance goals to be evaluated for 2011-12.